

Message Text

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70

ACTION EUR-12

INFO OCT-01 AF-06 ARA-06 EA-06 NEA-10 ISO-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-03 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 FEA-01 PA-01 PRS-01 /124 W

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R 101606Z JUL 75

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 6143

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L VIENNA 5935

EO 11652: GDS

TAGS: ENRG, OPEC, AU

SUBJ: OPEC SECRETARIAT STUDYING PRICE INCREASE

1. CYRUS SAMII, ADVISER TO OPEC SECRETARY GENERAL

FEYIDE, IN CONVERSATION WITH ECONCOUNS SAID THAT

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SPECIAL WORKING GROUP CURRENTLY CONVENING AT SECRETARIAT

TO STUDY SUBJECT OF OIL PRICE INCREASE AND TO TRY TO WORK OUT QUOTE A REASONABLE INDEX UNQUOTE TO SERVE AS MEASURE FOR QUOTE THE UNQUOTE INCREASE. ASKED WHAT HE MEANT BY QUOTE INDEX UNQUOTE SAMII EXPLAINED THAT INDEX REFERRED TO OPEC COUNTRY'S IMPORTS AND SAID THEY WERE ATTEMPTING TO REACH AGREEMENT ON A COMMON MEASURE FOR THE INCREASE IN PRICES OF IMPORTS MADE BY OPEC COUNTRIES DURING PAST YEAR. THIS MEASURE WOULD THEN SERVE AS GUIDELINE IN REACHING DECISION NEXT FALL ON PRICE INCREASE.

2. SAMII FELT CERTAIN THAT OPEC MEMBER COUNTRIES WOULD AGREE ON AN INCREASE IN THE REFERENCE PRICE BUT THAT WORKING GROUP WAS ENCOUNTERING CONSIDERABLE DIFFICULTY IN REACHING AGREEMENT ON THE IMPORT INDEX. HE SAID THAT FOR OPEC COUNTRIES AS A WHOLE IMPORTS HAD INCREASED 40 PERCENT BY VOLUME BUT 75 PERCENT BY VALUE. HOWEVER, BECAUSE OF THE VASTLY DIFFERENT POPULATION SIZES AMONG MEMBER COUNTRIES (HE CITED INDONESIA AS AN EXAMPLE) AS WELL AS THE VARYING COMPOSITION OF MEMBER COUNTRIES IMPORTS, IT WAS EXTREMELY DIFFICULT TO FIND A COMMON DENOMINATOR THAT COULD SERVE AS AN AGREED BASIS FOR DETERMINING HOW MUCH THE OIL PRICE INCREASE SHOULD BE. HOWEVER, THEY WERE DETERMINED, HE COMMENTED, TO FIND A SOLUTION SINCE QUOTE WE CANNOT CONFRONT CONSUMERS WITH AN INCREASE WITHOUT A REASONABLE ECONOMIC JUSTIFICATION FOR IT UNQUOTE.

3. COMMENT: SAMII'S COMMENTS INDICATE THAT OPEC SECRETARIAT AND WORKING GROUP ARE CHARGED BY THEIR MINISTERS WITH THE TASK OF PREPARING RATIONALE FOR A PRICE INCREASE IN THE FALL.MOWINCKEL

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